

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7860

BILL NUMBER: SB 536

NOTE PREPARED: Apr 10, 2007

BILL AMENDED: Apr 3, 2007

SUBJECT: Accelerated Growth Grant and Loan Program.

FIRST AUTHOR: Sen. Ford

FIRST SPONSOR: Rep. Austin

BILL STATUS: As Passed House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill establishes the High Growth Business Incentive Grant and Loan Program to provide incentives for a high growth business with high skilled jobs to locate or expand in Indiana.

Effective Date: July 1, 2007.

Explanation of State Expenditures: (Revised) *Indiana Economic Development Corporation (IEDC)*: The IEDC will incur additional administrative cost to implement the High Growth Business Incentive (HGBI) Program. The bill authorizes the IEDC to award grants and loans to "high growth companies with high skilled jobs" proposing job creation projects that meet project criteria specified in the bill. The grants and loans would be funded from the HGBI Fund, which would be non-reverting and consist of appropriations by the General Assembly, gifts, and grants. The bill requires the IEDC to annually report to the General Assembly the details and status of all grants and loans made under the HGBI Program. The bill does not make an appropriation to the HGBI Fund for grants and loans or to the IEDC to administer the HGBI Program.

The funds and resources required for the IEDC to implement the HGBI Program could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions. The March 26, 2007, state vacant position report indicates the IEDC currently has 32 vacant full-time positions.

State Budget Agency (SBA): The bill requires the SBA to review and approve proposed loans and grants and

to collaborate with the IEDC in determining grant and loan amounts and the terms and conditions of grants and loans. The SBA's current level of resources should be sufficient to fulfill these tasks. The March 26, 2007, state vacant position report indicates the SBA currently has 7 vacant full-time positions.

High Growth Business Incentive Program: The bill authorizes the IEDC to provide grants or loans to "high growth companies with high skilled jobs" proposing job creation projects that meet the following requirements:

- (1) the project will create jobs not previously performed in Indiana by the business' employees;
- (2) the project is economically sound, will increase employment opportunities, and strengthen Indiana's economy;
- (3) the political subdivisions affected by the project must have committed significant local incentives;
- (4) the grant or loan is a major factor in the business' decision to go forward with the project;
- (5) awarding the grant or loan will result in an overall positive fiscal impact to Indiana; and
- (6) a majority of the applicant's employees participate, or will participate, in a health insurance program offered by the applicant.

The bill prohibits a grant or loan from being made to provide a recurring source of revenue for the normal operating expenditures of a project. The bill provides for the IEDC, with the approval of the IEDC Board and the State Budget Agency, to determine the grant amount or loan amount for an approved project and the terms and conditions under which the grant or loan is awarded. The SBA is required to review the proposed loan or grant and submit the proposal to the State Budget Committee for review. Upon Budget Committee review, the SBA may approve, deny, or modify the proposed loan or grant. The bill provides for various factors the IEDC and SBA may consider in determining the amount of a grant or loan. The bill also requires grant or loan recipients to enter into an agreement with the IEDC and specifies conditions and provisions of the agreement. A grant or loan may be used for payment of any of the following expenses or costs:

- (1) expenses incurred training employees who reside in Indiana and will be employed in the project.
- (2) relocation expenses incurred that are directly attributable to the project, including the cost of maintaining another facility in Indiana or another state until the facilities for the project are placed in service for a project.
- (3) costs incurred to purchase or pay lease rental payments on a capital lease for new or replacement equipment for the project.
- (4) property assembly and development costs for the project.
- (5) capital investment costs incurred for the project.
- (6) costs for improvements related to transportation and access to the project.
- (7) principal and interest on bonds or loans or the establishment of a reserve for bonds or loans issued to pay any cost described above.
- (8) costs of obtaining a license to use a patent or other intangible property in Indiana at the project.

The bill defines a "high growth company with high skilled jobs" as a company that meets the conditions in (1), (2), and (3).

- (1) The company: (a) had at least a 15% average annual growth in company earnings during the past 3 years; (b) is classified in an industry that had at least a 15% average annual growth in earnings during the past 3 years; or (c) is entering a new product or process area in the life sciences, advanced manufacturing, information technology, and/or another high growth industry as determined by the IEDC, if the growth factor in (a) or (b) can't be determined.

(2) The company has a substantial number of employees in jobs requiring postsecondary education or its equivalent; or that are in occupational codes classified as high skill by the Bureau of Labor Statistics, United States Department of Labor.

(3) The company has a substantial number of employees who earn at least the greater of: (a) 150% of the average wage in Indiana; (b) 150% of the average wage in the county in which the company is located; or (c) 150% of the average wage in the county in which the majority of the company's employees work or will work, if it is different than the county in which the company is located.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Economic Development Corporation; State Budget Agency, State Budget Committee.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Jim Landers, 317-232-9869.